



BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

FILED

07-14-06

11:30 AM

Application of Pacific Gas and Electric Company for
Authority to Increase Revenue Requirements to
Recover the Costs to Deploy an Advanced Metering
Infrastructure.

Application 05-06-028
(Filed June 16, 2005)

**NOTICE OF EX PARTE COMMUNICATION
OF THE DIVISION OF RATEPAYER ADVOCATES**

In accordance with Rules 1.4 and 7.1 of the Commission's Rules of Practice and Procedure, the Division of Ratepayer Advocates ("DRA") submits this notice of an oral ex parte communication.

On July 12, 2006, at Commission headquarters in San Francisco, Robert Kinoshian and Christopher Danforth of DRA met with Rami Kahlon, advisor to President Peevey. Mr. Kinoshian and Mr. Danforth explained that DRA supports the proposed decision ("PD") (item 41 on the July 20 Commission meeting agenda), with the exception of the proposed critical peak pricing ("CPP") rate design and the proposal to use mechanical rather than electronic meters. DRA explained that unlike DRA's proposed rate design, the CPP proposal supported by the PD is illegal under the terms of AB 1X, and does not result in revenue neutrality. DRA also explained that the PD errs in allowing Pacific Gas and Electric Company ("PG&E") to use old fashioned electro-mechanical meters and should instead require PG&E to use solid state, electronic meters in those instances where it plans to replace meters as part of its Advanced Metering Infrastructure project. Written material was used in the communication, a copy of which is appended to this notice as Attachment 1.

Copies of this notice may be obtained by contacting Sue Muniz by telephone at (415) 703-1858, or by e-mail at sam@cpuc.ca.gov.

Respectfully submitted,

/s/ MARION PELEO

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July 14, 2006

ATTACHMENT 1

ISSUES WITH PG&E AMI PD

THE PD'S CHOICE OF RATE DESIGN IS ILLEGAL UNDER AB 1X

- AB 1X states that “in no case” shall the Commission increase rates charged for usage up to 130% of baseline, yet that is what the PD does.
- The PD asserts that AB 1X can be ignored if customers voluntarily switch to new rates, despite the lack of any allowance for such voluntary changes in AB 1X.
- The PD includes no discussion or justification for its assertion that AB 1X prohibition can be waived.

THE PD REJECTS DRA'S PROPOSED RATE DESIGN DESPITE THE CLEAR BENEFITS OF DRA'S PROPOSAL

- DRA's proposal complies with AB 1X by applying critical peak pricing just to usage above 130% of baseline.
- DRA's rate design, unlike that proposed in the PD, is revenue neutral, i.e. does not result in increased rates for non-participants.
- The PD rejects DRA's approach because it finds DRA's approach to be too complex, however, that complexity is necessary to comply with AB 1X and to maintain revenue neutrality.

THE PD APPROVES USE OF OLD-FASHIONED METERS RATHER THAN MODERN METERS THAT HAVE GREATER BENEFITS

- The PD allows PG&E to retrofit old meters with a communications module and where necessary to install new meters, but still using the old electro-mechanical meter technology.
- Solid state meters have more benefits and features than the old mechanical type, are a proven, reliable technology, and are not significantly more expensive than the old fashioned meters.
- While SDG&E proposes to use solid state meters in its AMI application, PG&E proposes to use the older technology for no substantial reason, which the PD approves with no justification.
- At a minimum, the electro-mechanical meters that PG&E plans to replace rather than retrofit (about 50% of all electric meters) should be replaced with solid state meters.

DRA JULY 2006